

Hap Seng Plantations (HAPL MK)

Production Growth Seen Resuming in 2026

Highlights

- We came away from Hap Seng Plantations' (HAPL) 3Q25 briefing feeling sanguine about their 4Q25 prospects, with production expected to come in stronger vs the usual year-end harvests.
- Despite this year's production woes, management is expecting FFB production to rise higher mid single-digits yoy vs their 2025 target. Cash flow generation should remain strong and supportive of high dividend payouts.
- Maintain BUY with a target price of RM2.65.

Analysis

- **4Q25 seen driven by stronger-than-usual output.** Hap Seng Plantations' (HAPL) 9M25 results missed market expectations at 59% of forecasts, amid weaker-than-expected fresh fruit bunch (FFB) production (9M25: -8.4%) particularly in 3Q25. Nonetheless, management is expecting brighter operating performance by its plantation estates for 4Q25, with FFB output seen peaking in Nov instead of the usual October peak historically. We regard this as a positive
- **Mixed 2025 output guidance.** Output guidance was mixed, with GENP and SDG revising their 2025 FFB output guidance lower (owing to the setback in ytd FFB production), while HSP maintained its FY25 output guidance (supported by its expectation of a sustained mom production uptrend observed since Jul 25, which is expected to continue through Dec 25).
- **Operational metrics.** Management shared that fertiliser procurement has been done thus far for 1H26, with prices seen rising at 6-7% yoy – in line with other corporate guidance for certain fertiliser categories.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	668	752	754	765	769
EBITDA	211	348	312	325	321
Operating profit	126	263	230	244	241
Net profit (rep./act.)	91.4	204	184	196	193
Net profit (adj.)	91.4	204	184	196	193
EPS (sen)	11.4	25.5	23.1	24.5	24.1
PE (x)	11.3	7.5	8.3	7.8	8.0
P/B (x)	0.8	0.7	0.7	0.6	0.6
EV/EBITDA (x)	4.9	3.5	3.4	2.8	2.4
Dividend yield (%)	3.5	6.5	6.0	6.4	6.3
Net margin (%)	13.6	27.1	24.5	25.6	25.1
Net debt/(cash) to equity (%)	(27)	(30)	(36)	(40)	(44)
Interest cover (x)	222.5	0.0	0.0	1.0	2.0
ROE (%)	6.8	10.0	8.8	9.1	8.6
Consensus net profit	-	-	160.0	149.7	146.2
UOBKH/Consensus (x)	-	-	1.2	1.3	1.3

Source: Hap Seng Plantations, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM2.06
Target Price	RM2.65
Upside	24%

Analyst(s)

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Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	HAPL MK
Shares issued (m):	799.7
Market Cap (RMm):	1,767.3
Market Cap (US\$m)	425.8
3-mth avg turnover (US\$m)	0.1

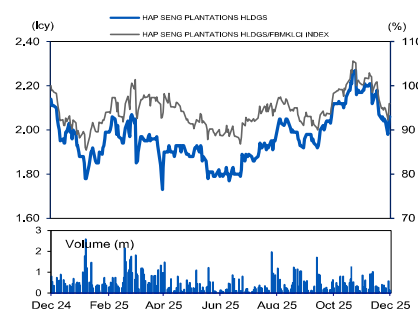
Price Performance (%)

52-week high/low			RM 2.27 / RM 1.70	
1mth	3mth	6mth	1yr	YTD
4.2	8.9	16.3	6.8	11.1

Major Shareholders

	%
Hap Seng Consolidated Berhad	69.53
Public Small Cap Fund	2.44
EPF	1.19

Price Chart



Source: Bloomberg

Company Description

Pure upstream plantation company with a total landbank of 40,279 ha.

Valuation/Recommendation

- **BUY with target price of RM2.65.** In our 1H26 research strategy report, we have recently upgraded HAPL from HOLD to BUY once again premised on a more positive CPO price outlook driving earnings growth, with 2026 earnings likely to reflect elevated ASPs. HAPL is regarded as a major beneficiary of higher CPO prices with strong inherent earnings sensitivity as a pure upstream player focusing on domestic sales.

Earnings Revision/Risk

- **Earnings estimates.** We recently revised up our CPO price assumptions from RM4,200/4,000/4,000 per tonne over 2025-27 to RM4,300/4,400/4300, which subsequently led to our 2025-27 EPS upgrade of 5%/21%/20% respectively. Meanwhile, our forecasts continue to assume a 7-8% yoy growth in FFB production in 2026, which should help drive a 50% yoy core earnings growth.

Share Price Catalyst

- Stronger-than-expected CPO and palm kernel output.
- Better-than-expected average selling prices of palm oil.
- Higher-than-expected dividend payouts.

Operational Statistics

	3Q25	2Q25	3Q24
FFB (tonne)	150,394	144,273	177,163
CPO Sale volume (tonne)	33,219	30,435	40,008
PK Sale Volume (tonne)	6,673	6,809	8,660
CPO Price (RM/tonne)	4,320	4,260	4,098
PK Price (RM/tonne)	3,464	3,471	2,731

Source: Hap Seng Plantations

ESG Roadmap

Environmental

- All internal estates are Malaysia Sustainable Palm Oil, Roundtable Sustainable Palm Oil and International Sustainability & Carbon certified.
- 0.4% of the FFB purchased from their 11 third-party (independent local outgrowers and smallholders) suppliers are RSPO or MSPO certified.

Social

- HAPL covers all costs for obtaining legal work permits in Malaysia with the exception of passports, which workers must obtain themselves.

Governance

- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

Source: Hap Seng Plantations, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	752	754	765	769
EBITDA	348	312	325	321
Deprec. & amort.	85	82	81	80
EBIT	263	230	244	241
Total other non-operating income	3	3	3	3
Associate contributions	0	0	0	0
Net interest income/(expense)	1	1	1	1
Pre-tax profit	267	234	248	244
Tax	(63)	(50)	(53)	(53)
Minorities	0	1	1	1
Net profit	204	184	196	193
Net profit (adj.)	204	184	196	193

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	1,722	1,708	1,694	1,680
Other LT assets	0	0	0	0
Cash/ST investment	117	285	437	586
Other current assets	583	567	567	567
Total assets	2,596	2,739	2,879	3,017
ST debt	55	69	70	71
Other current liabilities	13	13	13	13
LT debt	0	0	0	0
Other LT liabilities	425	425	425	425
Shareholders' equity	2,103	2,231	2,371	2,507
Minority interest	0	1	2	3
Total liabilities & equity	2,596	2,739	2,879	3,016

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	239	287	298	294
Pre-tax profit	264	230	244	241
Tax	(63)	(50)	(53)	(53)
Deprec. & amort.	85	82	81	80
Working capital changes	(51)	11	(2)	(1)
Other operating cashflows	3	15	28	27
Investing	(166)	(26)	(49)	(49)
Capex (growth)	(67)	(67)	(67)	(67)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	0	0	0	0
Financing	(65)	(92)	(98)	(96)
Dividend payments	(54)	(92)	(98)	(96)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	8	169	152	149
Beginning cash & cash equivalent	136	117	285	437
Changes due to forex impact	0	1	2	3
Ending cash & cash equivalent	143	285	437	586

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	46.3	41.3	42.5	41.7
Pre-tax margin	35.5	31.0	32.4	31.8
Net margin	27.1	24.5	25.6	25.1
ROA	8.1	7.1	7.4	7.1
ROE	10.0	8.8	9.1	8.6
Growth				
Turnover	12.6	0.2	1.5	0.5
EBITDA	41.2	26.3	31.9	30.1
Pre-tax profit	71.7	(12.5)	6.2	(1.5)
Net profit	123.8	(9.5)	6.1	(1.5)
Net profit (adj.)	123.8	(9.5)	6.1	(1.5)
EPS	123.4	(9.5)	6.1	(1.5)
Leverage				
Debt to total capital	0	0	0	0
Debt to equity	0	0	0	0
Net debt/(cash) to equity	(29.7)	(35.5)	(39.9)	(43.6)
Interest cover (x)	0.0	0.0	1.0	2.0

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